Alexicon
Telecommunications Consulting

February 24, 2012

Ex Parte Communication

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: *In the Matter of Connect America Fund*, WC Docket No. 10-90; *A National Broadband Plan for Our Future*, GN Docket No. 09-51; *Establishing Just and Reasonable Rates for Local Exchange Carriers*, WC Docket No. 07-135*; High-Cost Universal Service Support*, WC Docket No. 05-337; *Developing an Unified Intercarrier Compensation Regime*, CC Docket No. 01-92; *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45; *Lifeline and Link-Up*, WC Docket No. 03-109; and *Universal Service Reform – Mobility Fund*, WT Docket No. 10-208,

Dear Ms. Dortch:

Alexicon Telecommunications Consulting (Alexicon) respectfully submits these comments to the Commission in regards to the decision made in the *Report and Order* released in the above-captioned proceedings (rel. November 18, 2011) whereby high cost loop support (HCLS) limited by operation of the quantile regression analysis (QRA) -based caps on certain operating and capital expenditures is only redistributed to those carriers not impacted by the operating and capital expense caps.[1] Alexicon is aware of at least one petition for reconsideration that addresses this issue.[2] By this *Ex Parte* communication, Alexicon wishes to supplement the record in regards to this issue.

The Commission's decision to limit the redistribution of any HCLS reduced by virtue of the QRA-based limitation on recoverable capital and operating expenses to uncapped carriers will result in many anomalous situations. One such situation is described in the Rural Associations' Petition.[3] Alexicon believes the following situation/example could also result from the Commission's decision:

[1] *Report and Order* at 220
[2] See Petition for Reconsideration (filed December 29, 2011) of the National Exchange Carrier Association, Organization for the Promotion and Advancement of Small Telecommunications Companies, and the Western Telecommunications Alliance (Rural Associations) at 12
[3] *Id.*

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- Carrier A and Carrier B have the same number of access lines and the same demographic variables (used in the QRA)
- Carrier A costs are at the 90^{th} percentile for all line items
- Carrier B costs are above the 90^{th} percentile for all line items
- By operation of the capital expenditure and expense limitations, Carrier A and Carrier B now have identical HCLS-***recoverable*** (or allowable) costs; however due to the Commission's decision to only redistribute HCLS to uncapped carriers, Carrier A will now receive more HCLS than Carrier B, even though the two carriers have identical ***recoverable*** (or allowable) costs.

This outcome results in Carrier B being punished twice – once by operation of the QRA-based limitations on HCLS, and again by virtue of the Commission's decision to redistribute HCLS only to uncapped carriers. Alexicon does not believe the above example can be seen as equitable and therefore results in support amounts that are not sufficient and predictable.

Pursuant to Section 1.1206 of the Commission's rules, a copy of this letter is being filed via ECFS with your office.

If you have any questions, please do not hesitate to contact me at (719) 531-6342.

Sincerely,

Douglas K. Kitch, CPA, Principle
Alexicon Telecommunications Consulting

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